



11-30-20

WEEKLY UPDATE

Economic and Market Performance

MARKET INDEX	CLOSE 11-27-20	WEEK GAIN/LOSS	Y-T-D GAIN/LOSS
DJIA	29,910.37	+2.2%	+4.8%
S&P 500	3,638.35	+2.3%	+12.6%
NASDAQ	12,205.85	+3.0%	+36.0%

Despite weeks of improvement, initial jobless claims last week jumped to 778,000 as surging COVID-19 infections lead states and cities to reimpose selected lockdowns of businesses. Continuing claims for the week ended November 14 were 6.07 million. The Labor Department noted that the total number of people claiming benefits in all programs in the latest week was 20,452,223 with over 9.1 million claiming Pandemic Unemployment Assistance across 50 states, while 4.5 million are taking Pandemic Unemployment Compensation.

The Conference Board's Consumer Confidence Index dropped to 96.1 in November from an upwardly revised 101.4 in October as consumer attitudes about business conditions for the next six months have worsened with the spike in the coronavirus.

Personal income declined 0.7% month-over-month in October as current transfer receipts declined 6.2%. Meanwhile, personal spending rose 0.5%. The PCE Price Index was unchanged, as was the core CPI Price Index, which excludes food and energy. With no inflation in sight, interest rates will remain low.

For the week, the Dow rose 2.2%, the S&P 500 gained 2.3% and NASDAQ jumped 3.0%. The gains reflected expectations for a COVID-19 vaccine before year-end leading to economic improvement in 2021. The transition of the administration is taking place, and Mr. Market applauded the choice of former Federal Reserve Chair Janet Yellen as potentially becoming the Treasury secretary in the new administration.

HI-Quality Company News



Hormel Foods-HRL reported fourth quarter sales declined 3% to \$2.4 billion with net income down 8% to \$234.4 million and EPS dropping 9% to \$.43. Reduced demand for foodservice and commodity products due to the pandemic led to an overall decline in sales and profits. On the positive side, growth in the International segment was very strong, especially in China thanks to robust sales of SPAM and Skippy peanut butter. For the full fiscal 2020 year, revenue rose 1% to a record \$9.6 billion with net income down 7% to \$908 million and EPS down 8% to \$1.66. Despite the pandemic, Hormel grew sales in all four business segments with strong demand for their products exceeding supply in several of the domestic businesses. Incremental supply chain costs of \$80 million related to the pandemic led to the earnings decline. Return on shareholders' equity was 13.3% for the year. Free cash flow for the year increased 21% to \$760.5 million due to effective working capital management. During the year, Hormel acquired Sadler's Smokehouse for \$271 million. Capital expenditures were \$368 million with large projects including a new dry sausage facility and a pepperoni capacity expansion project. Capital expenditures in fiscal 2021 are targeted at \$350 million. In fiscal 2020, Hormel paid \$487 million in dividends and repurchased \$12.4 million of its common stock. Hormel recently increased its dividend 5%, marking the 55th consecutive year of dividend increases which is a testament to the strong and consistent performance the company continues to

deliver. Hormel is optimistic about generating sales and earnings growth in fiscal 2021 thanks to steady production improvements and higher production capacity as the impacts of the pandemic moderate.



Biogen-BIIB and Sage Therapeutics announced that they have executed a global collaboration and license agreement to jointly develop and commercialize zuranolone (SAGE-217) for major depressive disorder (MDD), postpartum depression (PPD) and other psychiatric disorders and SAGE-324 for essential tremor and other neurological disorders. Under the terms of the agreement, Sage will receive \$1.525 billion in cash to be comprised of an upfront payment of \$875 million and a \$650 million equity investment in Sage from the purchase of approximately 6.2 million newly issued shares of Sage common stock at a price of \$104.14 per share. Should the zuranolone and SAGE-324 programs achieve certain development and commercial milestones, Sage will be eligible to receive up to approximately \$1.6 billion in potential milestone payments.



Mastercard-MA updated its operating metrics through the week ending November 21. They continue to monitor the impact of the pandemic and related actions being taken by governments as it relates to border restrictions, social distancing measures and business operations and the resultant impact on spending. They are seeing spending levels remain relatively steady and believe that most markets remain in the Normalization phase domestically, with some approaching Growth. Given the recent global increases in COVID-19 cases, they are closely monitoring the impact on spending of additional mitigation measures that are being put in place.



UPS-UPS announced service enhancements to aid in the massive and complex distribution efforts for COVID-19 vaccines in the coming months. As part of these enhancements, UPS Healthcare now can produce up to 1,200 lbs. of dry ice per hour in its U.S. facilities to support the storage and transportation of cold chain products, such as frozen vaccines. The increased production also allows UPS to make dry ice available for U.S. and Canadian hospitals, clinics and other points of care requiring dry ice to store vaccines locally. In addition to dry ice production, UPS will also launch, in collaboration with Stirling Ultracold, a joint effort to provide portable ultra-low temperature (ULT) freezers for storage of vaccines at a range of -20°C to -80°C.

Last week, the Dow Jones Industrial Average rose to a record level and briefly topped the 30,000 milestone on hope that COVID-19 vaccines and treatments will lead to a more normal world in 2021. The climb has been remarkable given that it took 18 years for the index to rise from 10,000 to 20,000, but less than four years to climb from 20,000 to 30,000, especially during a pandemic. Helping the stock market rally from its March lows were near-zero interest rates, massive monetary and fiscal stimulus and economic conditions that went from “extremely bad” to “better” throughout the year. With current stock valuations appearing rich for many stocks trading at record highs, we suspect that Mr. Market may tap dance around the 30,000 marker for some time before putting his climbing shoes on again for the ascent to the 40,000 milepost.

If you have any questions, please let us know.

Sincerely,

Ingrid R. Hendershot

Ingrid R. Hendershot, CFA
President